

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF**

FROM: CATHLEEN MCHUGH

DATE: JUNE 11, 2013

**SUBJECT: CASE NO. IPC-E-09-24
INCLUSION OF OMITTED PRICING INFORMATION IN THE FIRM
ENERGY SALES AGREEMENT BETWEEN IDAHO POWER AND
CASSIA GULCH WIND PARK AND TUANA SPRINGS ENERGY.**

On May 14, 2013, Idaho Power Company (Idaho Power; Company) submitted for Commission approval an Application to include additional pricing information to the August 5, 2009, Firm Energy Sales Agreement (2009 Agreement) between Idaho Power and Cassia Gulch Wind Park, LLC (Cassia Gulch) and Tuana Springs Energy, LLC (Tuana Springs). The 2009 Agreement is for a 20-year term and was approved on October 5, 2009, in Order No. 30917.

BACKGROUND

In the 2009 Agreement, Tuana Springs proposed to design, construct, own, operate and maintain a new wind generating facility adjacent to and as an expansion of the existing Cassia Gulch facility. At the time, Cassia Gulch was operating under a April 7, 2006 Firm Energy Sales Agreement (Cassia Gulch Agreement), which was for a 20-year term and contained rates in accordance with Order No. 29646. Under the 2009 Agreement, the Cassia Gulch agreement was to remain in full force and effect until such time as the Tuana Springs expansion facilities had achieved their operation date. In the 2009 Agreement, Tuana Springs had selected June 30, 2010 as the Operation Date. According to Idaho Power's current application, Tuana Springs achieved an Operation Date of May 14, 2010. At that point, the Cassia Gulch agreement was automatically terminated and replaced by the 2009 Agreement. The net energy from the Cassia Gulch facility and the Tuana Springs Expansion was combined into a single qualifying facility.

The purchase prices in the pricing schedule in the 2009 Agreement were a blending of the prices in the existing Cassia Gulch Agreement and prices established by running the Aurora

economic dispatch model. The pricing schedule contained in the 2009 Agreement extended until 2028 – only 18 years from both the anticipated and actual Operation Dates.

In April 2013, Cassia Gulch and Tuana Springs notified Idaho Power that the pricing schedule did not extend for the full term of the Agreement. On May 3, 2013, Idaho Power provided Cassia Gulch and Tuana Springs with a letter setting forth the pricing to be applied in 2029 and 2030. Idaho Power did not replicate the methodology they used to generate the prices for the first 18 years of the agreement. Instead, Idaho Power escalated the 2009 Agreement prices by approximately 2.3 percent annually. This escalation factor was chosen to replicate the escalation found in the standard published avoided cost rates set forth in Order No. 29646.

STAFF REVIEW

Idaho Power states in its Application that the Company attempted to notify the Commission of its additional pricing by letter. Commission Staff requested that Idaho Power file an application seeking Commission approval of the pricing and verifying that Cassia Gulch and Tuana Springs acquiesced in the pricing additions. Staff has verified that the 2029 and 2030 prices provided by Idaho Power are based upon a 2.3 percent annual escalation factor. Staff believes Idaho Power's approach is reasonable. In addition, the Commission was notified by a letter dated May 31, 2013, that Cassia Gulch and Tuana Springs agree, understand and accept the updated pricing.

STAFF RECOMMENDATION

Staff recommends that the Commission approve the inclusion of these additional prices into the terms of the 2009 Agreement between Idaho Power and Cassia Gulch and Tuana Springs without further process.

COMMISSION DECISION

Does the Commission wish to approve, without further process, the inclusion of pricing information so that the pricing schedule extends through the full term of the Agreement?


Cathleen McHugh

iudmemos/cassia gulch tuana springs doc